

## CITY OF BURIEN, WASHINGTON FINANCIAL MANAGEMENT POLICIES

**Introduction:** These policies are intended to serve as a Council approved set of values and expectations for Council Members, City staff, citizens and other interested parties who may do business with the City. The use of the term “City” refers to all City officials, staff and employees who are responsible to carry out these policies. The policies describe expectations for financial planning, budgeting, accounting, reporting and other management practices. They have been prepared to assure prudent financial management and responsible stewardship of the City’s financial and physical assets.

### A. Fund Definitions

The **General Fund** is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

**Special Revenue funds** account for revenues derived from specific taxes, grants, or other sources that are legally restricted to expenditures for specified purposes.

**Debt Service funds** account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

**Capital Project funds** account for financial resources designated for the acquisition or construction of general government capital improvements.

**Enterprise funds** are established to account for operation (a) that are finance and operated in a manner similar to private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Examples of enterprise funds are those for water, gas, and electric utilities; swimming pools; airports; parking garages; and transit systems.

**Internal Service funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

**User Fee** is a fee charged to a customer of City services who may or may not be a Burien resident but receives a direct benefit from the service.

### B. Resource Planning and Allocation Policies

1. To assure stability and continuity in City services, the City will maintain a multi-year Financial Plan. The purpose of this annual planning process will be for citizens, the staff, advisory committees and City Council to discuss current and future programs, service levels and capital facility needs. The City’s six-year Operating and Capital Financial Plan will consider relevant economic conditions, estimate revenues and reserves, changes in levels of service, operating expenses, capital requirements, and debt service for the City’s three major categories of funds: General Fund (including Cumulative Reserve, Public Works Reserve and Senior Center Reserve

Funds); Street Fund (including Arterial Street Fund), and Surface Water Management Fund. This plan will be reviewed, modified and adopted by the Council each year.

2. The City of Burien will maintain minimum General Fund reserves of 5% of current year General Fund revenues in the Cumulative Reserve Fund and a 5% ending fund balance in the General Fund. The Cumulative Reserve Fund is a “rainy day” fund used to stabilize services and the City’s employment force to minimize uncertainty about the continuity of services and employment.
3. The City of Burien will maintain in the Street and Arterial Street Fund an ending fund balance equal to 50% of current year recurring revenues.
4. The City will maintain in the Surface Water Management Fund an ending fund balance equal to 50% of current year recurring revenues.
5. The relationship between the Operating and Capital Budgets will be incorporated into the forecast and budget process. Operating and capital budgets shall be prepared to provide for operating services and maintenance or enhancement of fixed assets needed to support City services.
6. The City’s annual budget will be based on a six-year Operating and Capital Financial Plan (a forecast) approved by the Council. The City Manager presents the Financial Plan to the Council the first Monday of June each year to respond to current City goals and policies, and other long-range plans and needs of the City. The prior five years of program expenditures (as shown in the comprehensive annual financial report) and the prior five years department and object expenditures will be forwarded to the Council with the Financial Plan.
7. The City budget will implement City Council adopted goals and policies, long-range plans, the service choices for the community and revenue allocation policies of the Council.
8. The City will use "prudent revenue and expenditure assumptions" in their budget documents and financial forecasts.
9. Ongoing expenditures (which exclude ending fund balances) generally should not exceed ongoing revenues (which exclude beginning fund balances) in the first two to three years of the forecast.
10. The City Council’s policy on cable franchise revenues is to allocate 100% to street maintenance each year.
11. The City Council will dedicate 100 percent of the revenue received from electrical utility franchise with Seattle City Light for street and arterial street maintenance and major rehabilitation.
12. The City Council will dedicate 100% of the revenue received from utility and B&O taxes to the General Fund, with the exception that the utility tax on garbage revenue will be used to support Street Fund activities and the Transportation CIP until these funds are needed in the General Fund.

### C. Accounting and Financial Practice Policies

1. The City will maintain an accounting and financial reporting system that fully meets professional standards, state accounting requirements, and standards used by debt rating agencies. The City of Burien will strive to maintain a bond rating in the "A" category.
2. Policies and procedures are in place to assure financial controls and oversight for accounting, investment and other cash management decisions. Procurement policies and procedures are adopted by the Council to meet legal requirements and assure effective and competitive purchasing. Procurement authority will be delegated consistent with Council policy and written procedures approved by the City Manager.
3. Regardless of the budget appropriation, if a fund's revenues are less than anticipated, operating, capital and ending fund balances will be reviewed by the City Manager who will then make a recommendation for possible adjustments to the City Council.
4. If a fund's ending balance is sufficient, excess reserves or other one-time revenues, such as grants, will be used for capital, equipment, or other one-time projects or services that improve the City's productivity and efficiency.
5. Consistent with accepted government accounting practices the City may evaluate certain support services within the Financial Plan to determine if creating a user fee, internal service fund or enterprise fund will increase efficiency of service delivery or recover the cost of providing the service from the users.

### D. Revenue and Collection Policies

1. The General Fund and its related reserve funds exist to provide services and benefits related to the general safety, health and welfare of the community. These services include: law enforcement and crime prevention services; parks, recreation and cultural services to all citizens; general community planning and development (*excluding private development projects*); a proportionate share of overhead costs for administrative and legislative services. While some services are budgeted in the general fund such as recreational classes and development fees, these services provide specific private benefits to the users. These services are funded by user fees to recover part or all of the City's costs. The City will establish cost recovery policies for parks, recreation and cultural services and submit periodic financial reports to the Council on City progress in meeting the policies.
2. Surface Water Management fees are collected to provide for operating and capital expenses related to street cleaning, ditch and drainage maintenance, and capital costs for surface water conveyance, treatment and retention facilities including a share of the administrative and legislative expense of the City. Impervious surface and impacts to the flow and quality of urban surface water run off created by developed urban property are used to determine residential and commercial user charges.
3. Street funds are collected primarily through gas tax revenues to fund maintenance and capital improvements to the residential and arterial street system including a share of the administrative and legislative expense of the City.

4. To minimize the impact of cyclical economic downturns on City general fund revenues and services, the City will attempt to diversify the economic base, which impacts the General Fund.
5. The City will establish cost recovery policies for fee supported services which consider the relative public/private benefits received from the services being provided and/or the desirability of providing access to services for specialized populations. These guidelines will determine the percentage of full service costs to be recovered through fees. The level of cost recovery will be routinely adjusted to ensure that rates are current, equitable, and competitive and cover that percentage of the total cost deemed appropriate.
6. In preparing the Financial Plan, the receipt of a grant will be included in operating fund revenues only when it is probable the City will receive a grant award. (*Probable means relatively likely but not certain.*)

#### E. Capital Improvement Policies

1. The City will plan for capital improvements over a multi-year period. The Capital Improvement Program will directly relate to the long-range plans and policies of the City Council. When capital improvements are being planned, operating costs will be estimated and identified within the City's Financial Plan.
2. To maintain the City's physical assets, a current inventory will be maintained of all of the City's physical assets, and their condition, maintenance and periodic replacement costs. Predictable ongoing capital replacement expense such as for fleet and other equipment should be funded through cash reserves set aside each year. These costs will be reported and included in the annual update of the City's Financial Plan.
3. The City will maintain an "Art in Public Places Fund" for the purpose of providing funds for capital improvement projects funded wholly or in part by the City of Burien for construction or remodeling of government owned public buildings, transit centers and parks (Ordinance 238).
4. A capital project is defined as a project of a nonrecurring nature with a cost of \$25,000 or more and estimated service life of 10 years or more. Major renovations of existing facilities that cost more than \$25,000 may be submitted for consideration as a capital project. Maintenance of existing facilities, however, should not be included in capital requests. Requests for funding of maintenance projects should be included in the appropriate operating budget.
5. The Adopted Capital Facilities Element of the Burien Comprehensive Plan provides guidance regarding the development of the City's Capital Improvement Program. This is incorporated into these financial policies as Appendix I.
6. In each of the three sections of the Capital Improvement Program (transportation, parks and general government and surface water management) funding sources for the six year period will be identified so that it will be clear what local funds, grant funds and other sources are supporting the program.
7. The City will use Community Development Block Grant capital funds to fund eligible capital projects that are included in the city's adopted Capital Improvement Program. The funds will only be spent on eligible projects that benefit low and moderate individuals as defined in the Community Development Block Grant regulations.

8. Property taxes levied for general government operations will be no more than 1% more than levied in the prior year plus the amount received as a result of new construction. The City will use “banked” property tax levy capacity to fund the construction of a new Senior Center. The “banked capacity” levied for the Senior Center will not exceed the difference between a 1% growth in the property tax from the prior year and a 6% growth. (*before taking new construction into account*). These funds will be set aside in the Senior Center Reserve Fund.

#### F. Debt and Investment Management Policies

1. The City will comply with debt issuance guidelines consistent with federal, state, and local policies. Debt will be used prudently in limited circumstances so as not to risk the City’s credit rating. The use of councilmanic debt authority will be based on a full feasibility analysis, including the loss of revenues from an economic downturn.
2. Debt may be used on a limited basis for specific short-term cash flow needs. Debt will not be used to fund long-term revenue shortages. For major capital projects with long-term useful lives (normally 20 years or more) and where costs exceed short-term cash flows, debt may be used providing there is sufficient dedicated revenue within the Financial Plan to service the debt.
3. The City will follow state law and the City’s adopted Investment Policy, which includes the following criteria in priority order:
  - a. Preserve capital through prudent financial investments;
  - b. Maintain sufficient liquidity so that funds are available when needed; and
  - c. Achieve the best available rate of return.
4. The City will maintain and invest any private donations and trusts in separate accounts consistent with the terms of the donation.

#### G. Financial Management and Organizational Review Policies

1. The City Manager will review the organizational structure at frequent intervals to assure that it is responsive to current conditions, minimizes service duplication within the organization and with other local government jurisdictions. Periodic performance audits may be used to assess organizational costs and effectiveness. Budget reviews shall be made periodically to examine all line-item costs in a particular department or program.
2. The City will routinely evaluate both its administrative and direct service delivery systems to determine whether a service should be provided by the City, by agreement with a qualified and or competitively priced private or public contractor or eliminated due to changes in community requirements.
3. The City Council will adopt, through the annual budget, service levels, a work program and performance standards that reflect City revenues, community expectations and legal requirements set by other levels of government. The City is committed to examining how it provides services so that service levels and performance standards are met or exceeded at the least cost to the public.

4. The compensation of employees will be reviewed every three years. It will be competitive with that of comparable public sector employers in the relevant recruiting or market area. The criteria for reviewing employee wages and benefits will also include internal comparability for similar jobs and the City's ability to pay. If relevant private sector comparisons are available, they will be considered.
5. The City will, within available resources, maintain the productivity of staff through a supportive working environment, which includes appropriate equipment, supplies, materials, and professional staff development.
6. The City will evaluate its use of intergovernmental service contracts to prevent duplication of services and to assure an effective and efficient service delivery system to the community.
7. The approval of City contracts will be done as follows:
  - **The City Manager will have authority to sign contracts up to \$25,000.**
  - Contracts over \$25,000 that are budgeted, routine, and annually recurring would be placed on the Council consent agenda (*examples include contracts for janitorial services, prosecution, public defense, and parks maintenance*).
  - Capital Project contracts over \$25,000 that are within the project phase budget and where the Council has approved the project scope would be put on the consent agenda.
  - All contracts that require additional budget authority would go to Council for discussion and approval.
  - All new initiatives over \$25,000 would go to Council for discussion and approval (*for example, the wireless master plan and the demographics study*).
  - All capital projects where there is a material change in scope would go to Council for discussion and approval (*for example an extension of a sidewalk that was not part of the original project scope*).